

## Impact of Employees' Commitment on Productivity of Lower Cadre Employees in Nigerian Manufacturing Organizations

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### Abstract

*For business organizations to survive in the face of stiff competition, hostilities in operations and global meltdown, they must attract and retain people who are able and willing to perform and even go beyond what is required. This study examined the effect of job commitment on productivity among lower cadre employees in Lagos state Nigeria. The study adopted a survey research design. The Organizational Commitment Questionnaire (ORQ) was adopted in this study. Two hundred and sixty three junior workers were randomly selected. The male participants were 159 (60%) and 104 (40%) were females. Their ages range from 21-42 years with the mean of 32.6 years. 168 (64%) participants had spent above 3 years and 95 (36%) had spent less than 6 years. Two hypotheses were raised and tested. The findings revealed a significant contribution of remuneration package in predicting workers' productivity and a significant relationship between remuneration packages and workers' morale. It was recommended that management must ensure that employee's remuneration package is paid as and when due since their job satisfaction is very much related to enhanced productivity. It was concluded that remuneration systems are very crucial in today's organization. The type of system will determine the caliber of staff and the retention ability of an organization.*

**Key words:** *Remuneration, employees, productivity, modified target approach.*

### Introduction

Creating a work environment in which employees are productive is essential to increased productivity and profits. Employees do work in anticipation of commensuration return by way of pecuniary payment or wages. Pay brings out the hard work in human element and self-worth among employees. The goals of remuneration are to design the lowest cost pay structure that will attract, motivate and retain competent workers. Remuneration is what workers receive in exchange for their contribution to the organization. The consequences of poor remuneration may detract from the objective of enhancing organizational productivity and suggest a decline in the quality of work life. Good remuneration package contribute to the realization of organizations strategic objectives. In severe cases, pay issues may increase grievances, lead to absenteeism and cause workers to quit.

One of the most important, complex and problematic elements in managing human resources towards realization of organization objective is remuneration packages. Scarcely has any matter led to strained labour and management relations or led to strike action much more than wage related issues whether in private or public sector undertaking. It is even more nowadays when there is a close race between one's expenditures and the pay packet due to the devastating state of economy and inflationary trends in a developing economy like Nigeria. It is therefore proper to say that remuneration package is a matter that is closest to the heart of every employee as well as employer. Typically, wages, salaries and related costs occupy a vital position, may make up to about 60% of the total costs of running a major business.

Paradoxically most organizations are formed primarily to achieve some pre-determined objectives such as profit maximization, sales maximization, meeting customer's requirements, be a market leader, maintenance of financial control market shares and liquidity among others for it to remain on operation. These they do neglecting the human capital that structures and drive the much desired organizational goals achievement. They take for granted employees as against the desired responsibility and goals of the organization. This practice does not instill a sense of loyalty and satisfaction among the productive workers leading to poor performance.

Thus, the thrust of the paper is to fine out the influence of remuneration on the productivity and morale of the workforce in Nigeria particularly among the low cadre workers in the port. It is also aimed at providing recommendations for the designing of effective remuneration strategies for workers in case study organization and various other organizations.

### Review of Related Literature

Over the past decade and half, the reward system of employees has grown so complex that is impossible to have a straight jacket procedure. There have been many radical reforms in the remuneration system in both public and private sectors. The emphasis has moved from relatively inflexible salary structure to the increasing use of performance related reward systems which are fashioned more precisely to individual organizational needs.

Pay is important to employees not only for what it can buy but also for the status it represents in society. Because employees frequently measure their relative worth in financial terms, they are concerned about the absolute amount of their remuneration packages and how it compares to that of other employees doing similar work.

Remuneration can be a great source of dissatisfaction when employees feel they are under paid or not recognized for the contributions they make to organizations. According to Crane (1982) remuneration packages maintain personnel effectiveness by attracting needed skills, retaining competent employees, rewarding competent employees and rewarding performance. The three important elements that make up any enterprise are money, materials and people. Among them money and people are way important in bringing out the positive behavioral change in any system. The importance of organizations to provide an enabling environment that will enhance employees' organizational commitment has well been stressed (Adeyinka, Ayeni & Popoola, 2007). Good remuneration affect work attitude positively, leading to better productivity. Lack of productivity by many Nigerian worker s is largely due to negative attitude to institutional work which perhaps is due to poor remunerating packages. Good and appropriate remuneration removes the feeling of helplessness, disappointment, inadequacy, consciousness of uncertainty, frustration, hostility, anxiety, aggression, fraudulent practices and laziness.

Good financial rewards do create and sustain high levels of productivity. According to Omolayole (1982) when a human being is well trained, well remunerated and well motivated, he is capable of achieving higher productivity through experience acquired on the job. Way back in the late 1960s Sigband (1969) found financial reward to be a booster to good and consistent performance. In the finding of Uwalaka (2004) good and timely remuneration packages contribute to positive commitment and performance at work place.

Igwebuko (2003) observed that when good remuneration is tied to performance, satisfaction is high, turnover and absenteeism are low he further observed that a fair wage and salary policy and consistent internal wage and salary relationship are vital to the achievement of individual and group effort in any organization. Pygors et al (1981) revealed that productivity is likely to decline if employees are uncertain that their efforts would attract reasonable financial rewards. High remuneration wages help maintain morale and make employees more reluctant to quit their jobs reduce inter group friction and enhanced performance and productivity (Udoh 1996). According to Tracey Lloyd (2009), people tend to be happier with more money than when compared to people who do not have sufficient money at their disposal. He further noted that performance related pay schemes could be used to increase employee productivity.

Also the relationship of remuneration and productivity has been noticed long ago by general Motors, USA which provided wage improvement provision based on the principle that to produce more with the same amount of human effect is a sound economic and social objective, thereby agreed to increase employees play by specified amount each year because of increased productivity (Crane 1982). Ogbulogo Charles (1998) noticed that workers who have been denied of opportunities for growth or are poorly paid channel their energies to other areas outside the organization including aspects that will not contribute to the advancement of the entire organization. He went further and stated that under this situation both workers and management work across purposes with a high degree of distrust.

Recent studies by several scholars have found and linked pay or remuneration to improved organisational performance. According to Thomson (2005), the premise of performance related pay schemes is that higher achievement, either individually or organizationally, will bring greater rewards. Other have found that productivity improvements of 20% to 50% can be obtained through the implementation of an incentive pay scheme (Lazear, 2000; Bandiera, Barankuy and Rasul, 2007). In a similar vein, Ajila and Abiola (2004) carried out a study to examine the influence of rewards on workers performance in Central Bank of Nigeria. Subjects for the study consisted of one hundred workers of Central Bank of Nigeria Abuja. Data for the study were gathered through the administration of a self-designed questionnaire. The data collected were subjected to appropriate statistical analysis using Pearson product moment correlation Co-efficient and all the findings were tested at 0.05 level of significance. The result obtained from the analysis confirmed that there existed relationship between extrinsic reward and the performance of workers. This finding concurs to the earlier findings by numerous scholars.

Research into the effectiveness of merit based pay schemes has found that merit based pay has a beneficial effect on individual motivation and performance in the workplace (Corby, White and Stanworth, 2005). In consonance with the above, research by Rynes, Gerhart and Parks (2005) found a productivity improvement as a result of employee share schemes that were available to employees beyond senior management ranks. Whereas the study of truck drivers' safety found that an increase in remuneration based on past performance decreased the numbers of traffic accidents (Rodriguez, Targa and Belzer 2006).

## **Methodology**

### **Research Design**

This study adopted a survey research design. Two hundred and sixty three junior workers were randomly selected. The male participants were 159 (60%) and 104 (40%) were females. Their ages range from 21-42years with the mean of 32.6years.168 (64%) participants had spent above 3 years and 95(36%) had spent less than 6 years.

**Instrument**

The Organizational Commitment Questionnaire (ORQ) was adopted in this study. The ORQ is a measure that was initially developed by Porter and Smith in 1970 to measure commitment within an organization. The measure was created with commitment “being a generally affective reaction to the organization rather than specifically to the work. This measure has proven to be reliable and valid over and over. The Organizational Commitment Questionnaire has been used successfully with high reliability in over thirty-five studies in organizational behaviour. The OCQ coefficient ranges from 0.82 to 0.93 with a median of 0.90 alpha (Dubin, Champoux and Porter, 1975; Mowday, Porter, and Dubin,1974; Porter, Crampon, and Smith,1976; Porter, Steers, Mowday, and Boulian,1974, Steers,1977; Steers and Spencer,1977 and Stone and Porter, 1975). The internal consistency as observed by this researcher was Cronbach Alpha of .74 across gender, and test-retest stability of .68 over 4 weeks.

**Results**

**Hypotheses One**

There is no significant contribution of remuneration package in predicting workers’ productivity.

**Table 1: Summary of Analysis of Variance of remuneration package in predicting workers’ productivity**

R=.691 R square=.477 Adjusted R=.448 Std. Error=4.070						
Model	Source	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	150.927	1	150.927	40.474*	<.05
	Residual	973.269	261	3.729		
	Total	1124.196	262			

**\*significant**

In this study, 46% of the variations in workers’ productivity could be accounted for by remuneration package. The first hypothesis which stated that” There is no significant contribution of remuneration package in predicting workers’ productivity” was rejected at R=.691, R<sup>2</sup>=.477, F (1, 262) =40.474; p<.05. This implies that the higher the remuneration packages the higher workers’ productivity.

**Hypothesis 2**

There is no significant relationship between remuneration packages and workers’ morale.

**Table2: Summary of Correlation Coefficient showing remuneration packages and workers’ morale**

Variations	N	Mean	SD	r-observed	Sig. level
Remuneration Packages	263	36.18	1.29	0.72*	<.05
Workers’ Morale	263	36.64	0.08		

**\*significant**

In this study, there is a significant relationship between remuneration packages and workers’ morale at r-observed =0.72, 152 degree of freedom and <0.05 significant level. The second hypothesis is therefore rejected.

**Discussion**

The objective of this paper is to determine the effects of remuneration on workers’ productivity. The paper focused on determining the effects of remuneration on productivity among lower level ports workers. Two hypotheses were stated and tested in the study, with the result showing that higher remuneration packages lead to higher workers’ productivity, and also there significant relationship between remuneration packages and workers ‘morale. These findings are in line with several earlier reviewed studies. In fact the influence of pay sometimes goes beyond motivational theories, particularly in our socio-cultural context where culture of respect and dignity occupy their pride of place for people with money; poverty and corruption stand to play a pivotal role in upgrading employee’s commitment.

The findings of this paper not only gives credence to the assertion of related studies but also shows that higher levels of commitment will result in more positive outcomes for the organization thereby suggest that higher levels of normative commitment tend to be associated with positive work outcomes and extra-role behaviors, all of which are governed by

good pay. Thus, an employee's bad attitude to commitment which results in low productivity could be as a result of his dissatisfaction with the pay package.

### Recommendations

In view of the above empirical relationship these recommendations are proffered:

1. Management must ensure that employee's remuneration package is paid as and when due since their job satisfaction is very much related to enhanced productivity.
2. Management should increase employee's remuneration package to ensure greater efficiency and accelerated growth efficiency of the organization.
3. To retain best or good employees means increasing their remuneration package. As it becomes a sound instrument of manipulating productivity of employees and the growth and survival of the organization.
4. To boost the morale of employees, management should implement the required government minimum wage as well as its attendant package and even pay more to their workers. This is to minimize the rate of labour turnover.

### Conclusion

Remuneration systems are very crucial in today's organization. The type of system will determine the caliber of staff and the retention ability of an organization. An organization with an effective reward and remuneration system can compete effectively in changing business environment.

The remuneration system should be highly flexible and enjoy the approval of the employees. Based on the findings of this empirically paper remuneration is a key factor that influences organizational commitment of employees towards greater productivity. It goes without saying therefore, that the way an employee perceives his pay will bring out his inner work behavior for higher performance and achievement of organizational goals. The positive confirmation of the relationship between remuneration package and workers productivity and morale has many managerial implications. Therefore, for sound organizational efficiency and better performance, workers remuneration should not be negotiable.

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